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Financial advisors tap AI for growth but face ethical hurdles
By Frank Gargano
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Enjoy complimentary access to top ideas and insights — selected by our editors. The conversation around wealth management and artificial intelligence has moved in lockstep with the pace of technological innovation, as advisors explore new uses and grapple with the ethical dilemma of how far products should go.

A survey of 191 experts released at the beginning of last year by Financial Planning found that roughly 67% of respondents expected to increase their tech spending budgets for 2024 when compared to the previous year.

When asked about AI, 87% of experts predicted that the technology would have a positive impact on the industry. The top expected use for AI was improving marketing and email communications, with 49% of respondents in agreement. Other top uses include client onboarding, shaping investment strategy outlooks and lead generation.

Anthony Knierim, managing director of the Americas for the global employee engagement platform Reward Gateway, said that in addition to streamlining internal processes, AI can be a determining factor in driving the acquisition of "higher-performing talent."

"I anticipate we'll see companies pushing the boundaries on just how much they can leverage AI for work efficiency," Knierim said. "On the other hand, others will be watching closely to see how this rapid adoption will be balanced with the murky macroeconomic environment where cost and margin control are at top of mind."

Companies like Betterment and Wealthfront that utilize robo-advisors, automated investment tools that have shifted in popularity over the last few years, are exploring the possibility of adding AI capabilities to their products.

But for traditional advisory firms, AI's applications are mostly limited to the back office rather than customer-facing operations.

Adnan Masood, chief AI architect for the global digital services provider UST, said most organizations misstep in their AI strategies by treating the tech as "a shiny gadget" rather than an "audacious goal for sustained momentum."

"Without clear ownership, [companies] drift into strategic ambiguity, slapping models onto processes without thoughtful governance innovation or cultural capital," Masood said. "This leads to 'garbage in, garbage out' scenarios."

This problem extends to individual uses of AI in addition to organization-wide adoption. Of the 200 financial service compliance leaders polled by ACA Group's project, ACA Aponix and the National Society of Compliance Professionals (NSCP), only 12% have instituted an AI risk management framework.

Dive into the latest AI developments across the wealth management landscape below.

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Finserv firms weigh the value of AI tools against the ability to handle them

While the pressure is mounting for many financial services companies to adopt AI tools, not all have the framework in place to properly govern their uses, according to data released last month by digital communications and archiving company Smarsh.

The "2025 Communications Compliance Survey" featured responses from compliance and IT experts with more than 260 finserv organizations. Of that figure, 79% held that AI was of top importance for the industry and a separate 81% of large firms are driven to integrate AI products or risk falling behind.

However, only 32% responded that their organizations have established programs for overseeing AI usage.

"Based on our conversations, we're also finding that RIA firms are working toward instituting clear AI usage policies and offering training sessions to educate staff on both the potential of AI and the risks of misuse," Era Jain, CEO and co-founder of Zeplyn, told Financial Planning's Rob Burgess.

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AI is top of list for tech spending among wealth management firms

Wealth management firms are increasingly adding budget for technology investments, especially artificial intelligence, and LPL Financial is among the cohort of companies leading the way.

Across last year, LPL shelled out roughly $500 million for technology and infrastructure improvements, which included more than 250 new product enhancements. One such effort was the debut of AI Advisor Solutions, the firm's offering of four AI-powered tools to its client base of more than 23,000 financial advisors.

"The industry has seen a consistent upward trend in technology spending, driven by client expectations for digital services, regulatory requirements and operational efficiency needs," William Trout, director of securities and

investments at technology data firm Datos Insights, told FP's Rob Burgess.

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CFAs hopeful but wary about the use of AI in investing
More than two-thirds of chartered financial analysts say AI will improve the value of their jobs in the future, according to a recent survey conducted by financial education firm and exam prep provider Kaplan Schweser.

The company polled 728 CFA Level I, II and III candidates and CFA charterholders from the U.S., Canada, U.K., Germany, Switzerland and France to learn more about preparation methods for the CFA exam, the perception of employer support throughout the examination process and more. While many believed in the promises of AI, roughly 25% weren't certain that the technology's impact will be positive.

"In particular, survey participants talk about the impact of AI mainly in terms of job displacement and growth in passive investment management. ... While AI could offer real benefits to the industry, it is also seen as a disruptor that could fundamentally reshape investment management," the survey said.

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Human retirement planners are winning out over robo-advisors — for now
The shining promises of robo-advisors have fallen short of expectations set for them roughly a decade ago, according to Joseph Coughlin, founder and director of the multidisciplinary research program MIT AgeLab.

Examples of this can be seen in the financial services industry last year, when companies like BlackRock and J.P. Morgan shuttered their respective robo-advisor offerings.

"While AI can offer seemingly personalized advice, it lacks the nuanced empathy that comes from genuine human experience," Coughlin said. "To stay relevant, financial advisors will need to focus on qualities that AI, for now, can't replicate — deep emotional intelligence, ethical judgment and the ability to truly understand and navigate life's messy realities."

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Morningstar predictions for 2025: Rate cuts, AI

Experts from the Chicago-based financial services firm Morningstar offered predictions for what 2025 would bring to the wealth management industry, ranging from rate cuts to the deepening presence of AI.

Dave Sekera, senior U.S. market strategist for Morningstar, said during a Dec. 5 webinar that the introduction of ChatGPT in 2022 signalled the start of a development period that will culminate with AI tools being put into action in 2025.

"We're now at the point where those hardware suppliers have built out enough new capacity to be able to better address the amount of forecasted demand," Sekera said.

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